

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City



**IN THE MATTER OF THE  
PETITION FOR THE  
ADOPTION OF THE  
PROPOSED AMENDMENTS  
TO THE 2006 OPEN ACCESS  
TRANSMISSION SERVICES  
RULES (OATS RULES)**

**ERC Case No. 2017-010 RM**

**NATIONAL GRID  
CORPORATION OF THE  
PHILIPPINES (NGCP),**  
*Petitioner.*

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**D O C K E T E D**  
Date: MAY 09 2018  
By: h

**ORDER**

On 22 December 2017, Petitioner National Grid Corporation of the Philippines (NGCP) filed its Petition for the Adoption of the Proposed Amendments to the 2006 Open Access Transmission Services Rules (OATS Rules).

In its Petition, NGCP alleged the following:

**NATURE OF THE PETITION**

1. This is a petition to adopt the proposed amendments to the 2006 Revised Rules, Terms and Conditions for the Provision of Open Access Transmission Service (OATS Rules) filed pursuant to Section 43 of Republic Act No. 9136 (EPIRA) and Rule 21 of the ERC Rules of Practice and Procedure.

**THE PETITIONER**

2. NGCP is a corporation created and existing under the laws of the Philippines, with principal office address at NGCP Building, Quezon Avenue corner BIR Road, Diliman, Quezon City, where it may be served with notices, orders, resolutions and other issuances of this Honorable Commission through its Office of the General Counsel. It is the concessionaire which assumed the power transmission functions of the National Transmission Corporation (TRANSCO) pursuant to the EPIRA.

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3. NGCP holds a franchise under Republic Act No. 9511<sup>1</sup> to engage in the business of conveying or transmitting electricity through high-voltage back-bone system of interconnected transmission lines, substations and related facilities, and for other purposes. The franchise also includes the conduct of activities necessary to support the safe and reliable operation of the transmission system.

### **BACKGROUND**

4. On 11 February 2004, the Honorable Commission approved the OATS Rules which govern the services provided by, and outline the responsibilities of the Transmission Provider and the functions of the System Operator. The OATS Rules also set out the responsibilities of the Transmission Customers.

5. On 13 December 2006, the Honorable Commission adopted the 2006 Revised OATS Rules which contain the amendments and revisions to the provisions of the 2004 OATS Rules.

6. Considering that the 2006 Revised OATS Rules were adopted more than a decade ago, some of the provisions are no longer applicable and/or needs to be amended or updated. Hence, NGCP proposes to amend some provisions of the 2006 Revised OATS Rules and introduce new provisions in conformity with the provisions of the Wholesale Electricity Spot Market (WESM) Rules, the Philippine Grid Code (2016 Edition), the Feed In Tariff Rules, the Renewable Energy Act, and several resolutions and issuances of the Honorable Commission, the Grid Management Committee (GMC) and the Department of Energy (DOE).

7. Thus, this petition to initiate rule-making is being filed to seek the adoption of the proposed amendments to the 2006 OATS Rules.

### **PROPOSED AMENDMENTS**

8. The salient features of the proposed amendments to the 2006 OATS Rules are as follows:

#### **MODULE A:**

- 1) NGCP proposes to modify Table A3.3 ("*OATS Module applicability for different Transmission Customers*"), specifying that all modules shall apply to all Participants, namely Transmission Network Provider, Metering Service Provider, System Operator, and Transmission Customers.

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<sup>1</sup> Entitled "*An Act Granting the National Grid Corporation of the Philippines a Franchise To Engage in the Business of Conveying or Transmitting Electricity Through High Voltage Back-Bone System of Interconnected Transmission Lines, Substations and Related Facilities, and for other Purposes.*"

- 2) NGCP proposes to amend Module A8 (Creditworthiness) by: deleting “charge over asset” as a credit support and including letter of credit and surety bond as forms of additional credit support in Module A8.1; adding new provisions on credit support level for Prospective Transmission Customers and Connected Transmission Customers in Module A8.2, new provisions on credit support adjustment in Module A8.3; and revising the procedure on the application and replenishment of credit support in Module A8.4.

**MODULE B:**

- 3) NGCP proposes to delete Modules B2B.2 and B2B.3 governing Contribution in Aid of Construction (CIAC). In the proposed amendment, Module B2B.2 shall state that the Transmission Customer’s Connection Facilities that perform grid function shall be reclassified into Transmission Assets through a reclassification case. Thereafter, the Transmission Customer shall transfer the operation, control and ownership of the subject Connection Facilities to the Transmission Network Provider and the Transmission Network Provider shall pay the fair market price as agreed by the parties or, where no agreement can be reached, shall be determined by the ERC.
- 4) NGCP proposes to amend Module B5 (Communication and SCADA Equipment Requirements) by deleting the provisions requiring the Transmission Customers to secure and provide telecommunication facilities since Communication and SCADA Equipment are Transmission Assets, hence, the responsibility of the Transmission Network Provider.
- 5) NGCP proposes to amend Module B13.2 on the requirement for direct connection of end-users to harmonize with the DOE’s *“House Rules Governing the Review and Evaluation of Direct Connection Applications of Industrial, Commercial and Other Qualified Electricity End-Users, Economic Zones and Economic Enterprises.”*
- 6) NGCP proposes to exclude from Module B13.4 the collection of non-refundable processing fee from the Transmission Customer since this fee

is considered part of the regular operating cost of NGCP.

- 7) NGCP proposes revisions in Module B14 on the manner of providing services for the conduct of System Impact Study (SIS), particularly Module B14.2 on the determination of whether SIS is necessary; deletion of Modules 14.7 and B14.8; and revision of Module B14.9 on the cost of the SIS. The modification is in line with ERC Resolution No. 18, Series of 2015.<sup>2</sup> In the proposed amendment to Modules B14.2 and B14.7, the Transmission Network Provider is designated as the sole entity authorized to conduct an SIS with the option to engage a third party under its supervision and control and with full responsibility and accountability therefor. Further, the costs for the engagement by the Transmission Network Provider of the third party shall be borne by the Transmission Customer, except in cases where the SIS is conducted by the Transmission Network Provider, the costs thereof shall be deemed included in its operation expenses.
- 8) NGCP proposes to include provisions in Module B15 on the review of the Facilities Study undertaken by the Transmission Network Provider pursuant to ERC Resolution No. 18, Series of 2015.<sup>3</sup> In the proposed amendment, the Transmission Network Provider shall notify and direct the Transmission Customer to submit the necessary Facilities Study which may be conducted by either a Third Party Provider or Transmission Network Provider.

**MODULE C:**

- 9) NGCP proposes to delete Module C4 (Available Transmission Capacity of Power Delivery Service), considering that the provision of available transmission capacity and the time period required of the Transmission Network Provider to provide such capacity is subject to a long process, i.e. submission of information by the Transmission Customer, conduct of required studies, and approval of the capital expenditure projects by the Honorable

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<sup>2</sup> Entitled "A Resolution Adopting the Grid Management Committee's Recommendations to Exempt Certain Power Plants from the Conduct of System Impact Study and Clarifying and Expanding the Requirements for a Thorough Conduct of Facilities Study."

<sup>3</sup> Entitled "A Resolution Adopting the Grid Management Committee's Recommendations to Exempt Certain Power Plants from the Conduct of System Impact Study and Clarifying and Expanding the Requirements for a Thorough Conduct of Facilities Study."

Commission. Hence, it is beyond the control of the Transmission Network Provider.

**MODULE D:**

- 10) NGCP proposes to delete Annex I, Module D of the 2006 OATS Rules which provides the re-dispatch procedures until the commencement date of the spot market. The proposal is in line with the fact that, with the WESM already in place, the dispatch/re-dispatch will be undertaken in accordance with the WESM Rules and applicable WESM Manuals and Department Circular No. DC2017-05-0009.<sup>4</sup>
- 11) NGCP proposes to delete Modules D7.1 and D7.2 of the 2006 OATS Rules which require the System Operator to develop a yearly Ancillary Services Procurement Plan (ASPP) considering that the annual development of the ASPP may not be realistic due to a long approval process.
- 12) NGCP proposes to delete module D8 of the 2006 OATS Rules (Alternative Ancillary Service Arrangement) in line with the requirement of the PGC GO 6.3.1.2 whereby NGCP as the SO shall be responsible for determining, acquiring, and dispatching the capacity needed to supply the required Grid AS.
- 13) NGCP proposes to delete Module D10 of the 2006 OATS Rules (Management of Energy Imbalance) since this provision is no longer applicable with the WESM in place.

**MODULE E:**

- 14) One of the major revisions in this module is in Module E11.3 where several conditions were enumerated for the 'Meter Only' billing scheme with reference to DOE Department Circular No. DC2016-05-0007.<sup>5</sup> The conditions to be included in Module E11.3 are as follows:
  - (a) The Transmission Customer shall collaborate with the Metering Service Provider on the conduct of testing, calibration and maintenance in a manner as

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<sup>4</sup> Entitled "Declaring the Launch of the Wholesale Electricity Spot Market (WESM) in Mindanao and Providing for Transition Guidelines."

<sup>5</sup> Entitled "Providing Policies for further improvements of the operations and metering installations of the Metering Services Providers (MSPs) in the Wholesale Electricity Spot Market (WESM) and Retail Market"

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prescribed by the PGC;

- (b) The Transmission Customer shall allow the Metering Service Provider to access the Metering Installation at all times;
- (c) The Transmission Customer shall provide the Metering Service Provider with a minimum spare for the said Metering Equipment, i.e., one (1) unit per set of instrument transformers and lightning arrester;
- (d) The Transmission Customer shall ensure that such Metering Equipment will be periodically tested and calibrated by the Metering Service Provider in a manner prescribed by the PGC. The Metering Service Provider shall be allowed to charge the Transmission Customer with the cost of such metering services until such time that the said cost forms part of the Metering Service Provider's Metering Service Provider Charges (MSP Charges) computed pursuant to Rule F(AIII) of the OATS Rules;
- (e) The Transmission Customer shall be required to consistently cooperate with the Metering Service Provider for any compliance with the requirements of the PGC and WESM Rules; and
- (f) Any non-compliance of the Transmission Customer shall be subject to Rule A13 of the OATS Rules.

**MODULE F:**

- 15) NGCP proposes the adoption of the following table as matrix of charges for the Transmission Customers:

	Transmission Customer	
	Generator Customer, incl. DER and ESS	Load Customer

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	Grid-Connected	Embedded	Distribution Utility	Grid-Connected End-User
<b>Regulated</b>				
PDS Charge	Applicable	N/A	Applicable	Applicable
SO Charge	Applicable	Applicable	Applicable	Applicable
MSP Charge	Applicable	Applicable	Applicable	Applicable
<b>Excluded</b>				
Connection Charge	Applicable	N/A	Applicable	Applicable
RST Charge	Applicable	N/A	Applicable	Applicable
Stand-by Facility Charge	N/A	N/A	Applicable	Applicable
<b>Pass-through</b>				
AS Charge	Applicable	Applicable	Applicable	Applicable
Universal Charge	N/A	N/A	N/A	Applicable
FIT-All Charge	N/A	N/A	N/A	Applicable
GMC Charge	Applicable	Applicable	Applicable	Applicable

16) NGCP also proposes three (3) new charges, as follows:

a. **Stand-by Facility Charge.**

NGCP proposes to include a Stand-by Facility Charge payable by Load Customers with Embedded Generators. This is a fixed charge where the computation of charges is similar to the Connection Charge, considering that Load Customer with Embedded Generator utilizes the transmission facilities during the time that its Embedded Generator is out of service. These transmission facilities may be considered as Stand-by Facilities utilized by the said Load Customers even on an occasional basis.

b. **Fit-All Charge.** FIT-All Charges,

as defined in ERC's Resolution No. 16, Series of 2010, shall be collected and remitted in accordance with the guidelines approved by the ERC. Further, the rate, which is expressed in

P/kWh, shall be established and set by the ERC on an annual basis upon petition of the FIT-All Fund Administrator.

- c. **GMC Charge.** NGCP proposes that the ERC-approved expenditures of the GMC be recovered through the proposed GMC Charge. The proposal ensures transparency on the true cost of carrying out the functions of the GMC as well as to ensure equitable sharing of costs among all customers.

- 17) **Billing Determinant.** NGCP proposes that the non-coincident peak billing methodology be shifted to coincident peak billing (coincident peak of the Transmission Customer's system), consistent with the Decision in ERB Case No. 2001-901 entitled "*In the Matter of the Application for the Approval of the Revised Unbundled Power Rates*" dated 26 June 2002. In compliance with the said decision, NGCP respectfully manifests that it is now capable to provide the requirements for the coincident peak demand billing.

As an alternative, subject to the approval of the ERC, the Load Billing Determinant shall be the contracted demand as set forth in the Service Agreement or the previous year's highest coincident peak demand of the Load Customer, whichever is higher. This coincident peak demand is the maximum of the 15-minute interval sum of the demand measured from all its metering points in a month.

- 18) Other proposals for Applicability of Charges under Module F1.2 of the proposed amendments are as follows:
- a. For those periods of time when Grid Connected Generator Customers draw power from the Grid for their own use, the charges relevant to Grid-Connected End-Users shall apply; and
- b. For Renewable Energy (RE), the transmission charges may be billed in Peso/kWh derived from Peso/kW charge and fixed monthly charges.



- 19) NGCP proposes to amend Module F(AI)4 of the 2006 OATS Rules to adopt the demand-based proportion in the allocation of revenue requirement for the Customer Segments of Luzon, Visayas and Mindanao, which has been the practice since the Second Regulatory Period.
- 20) NGCP proposes for a 50/50 allocation of power delivery revenue between the Grid-Connected Generator and Load Customers as can be found in the formulae set out in Modules F(AI) 4.3 and 4.4.
- 21) NGCP re-arranged the provisions in Annex FIV, Module F, or the provisions pertaining to the Connection Charges and Residual Sub-transmission Charges to provide clarity in the calculation of charges.
- 22) NGCP proposes to delete Module F(AIII) 5 of the 2006 OATS Rules which pertains to calculation of loss factor, since the loss factor has no effect on transmission charges.
- 23) NGCP proposes to remove the provisions on Interruption and Billing Adjustment (IBA) and Curtailment Billing Adjustment (CBA) found in Modules F(AVI) 1 of the 2006 OATS Rules. Pursuant to Article VIII of the Rules for Setting Transmission Wheeling Rates, the ERC, in NGCP's 3<sup>rd</sup> Regulatory Period Final Determination on November 2010, adopted eight (8) indices on which NGCP's performance will be measured. The IBA and ICA is already subsumed in three (3) indices adopted by the ERC, namely the System Interruption Severity Index, Frequency of Tripping, and System Availability.
- 24) NGCP proposes that the details of the Ancillary Services be referred to the Ancillary Services Procurement Plant (ASPP) and the Ancillary Services Cost Recovery Mechanism (AS-CRM), as updated and amended from time to time.
- 25) NGCP proposes to delete Module F(AV) 2 of the 2006 OATS Rules (Special Billing Provisions for System Impact and Facilities). This is pursuant to ERC Resolution No. 18, Series of 2015<sup>6</sup> which requires that the costs for

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<sup>6</sup> Entitled, "A Resolution Adopting the Grid Management Committee's Recommendations to Exempt Certain Power Plants from the Conduct of System Impact Study and Clarifying and Expanding the Requirements for a Thorough Conduct of Facilities Study"

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the engagement by the NGCP of the third party shall be borne by the applicant or the prospective transmission customer. However, in cases where the NGCP shall conduct the SIS, the costs thereof shall be deemed included in its (NGCP) operation expenses.

- 26) NGCP proposes for a mandatory pre-termination charges and shall be set out in the Service Agreement. The pre-termination charge is a charge levied when a Transmission Customer wants to terminate, ahead of time, the agreement with the Transmission Network Provider. This charge shall be computed based on the cost and other related expenses incurred by the Transmission Network Provider in terminating and disconnecting the Transmission Customer from the system.

**ANNEX A:**

- 27) NGCP proposes that instead of a written process, a process flow chart is more efficient in describing the application process.
- 28) NGCP proposes to modify the Relevant Schedules and Additional Requirements for new or modified connection to the grid as follows:

Prior to the execution of the Service Agreement:

Schedule A	OATS Services
Schedule B	Standard Planning Data
Schedule C	Connection Point Drawings
Schedule D	Asset Boundary Information
Schedule E	Authorized Representatives
Schedule F	Other Information

Additional Requirements: Each Transmission Customer shall provide the following supplemental data requirements:

Prior to Commissioning Date:

1. Detailed Planning Data;
  2. Protection Arrangement and Settings;
  3. Electrical Diagrams;
  4. Safety Rules and Local Safety Instructions;
  5. Metering Requirements;
  6. Proposed Maintenance Program;
  7. Test and Commissioning Procedures;
- and

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8. Statement of Readiness to Connect.

As Applicable:

1. Load Shedding and Curtailment Procedures;
2. Contingency Actions; and
3. Critical Event List.

9. A copy of the 2017 Proposed Amendments to the OATS Rules, containing **all** proposed revisions, wordings, deletions and additions is hereto attached as **Annex "A."**

**PRAYER**

**WHEREFORE**, NGCP most respectfully prays that this Honorable Commission:

1. EXERCISE its rule-making power under Section 37 of the EPIRA, and Rule 21 of its Rules of Practice and Procedure; and
2. APPROVE the proposed amendments to the 2006 OATS, after notice and public consultation.

Petitioner prays for other relief deemed just and equitable under the premises.

Quezon City for Pasig City, 18 December 2017.

Finding the said Petition to be sufficient in form and substance, with the required fees having been paid, pursuant to Section 2, Rule 21 of the Energy Regulatory Commission's 2006 Rules of Practice and Procedure (2006 ERPP), the same is hereby set for determination of compliance with the jurisdictional requirements and expository presentation on the following dates:

<b>Date and Time</b>	<b>Venue</b>	<b>Hearing Coverage</b>
<b>6 August 2018 (Monday)  Nine o'clock in the morning (9:00 A.M.)</b>	ERC Hearing Room, 15 <sup>th</sup> Floor Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City	Jurisdictional and Expository Presentation (for Luzon Stakeholders)
<b>8 August 2018 (Wednesday)  Nine o'clock in the morning (9:00 A.M.)</b>	Visayas Field Office, St. Mary's Drive, Banilad, Cebu City	Expository Presentation (for Visayas Stakeholders)
<b>9 August 2018 (Thursday)  Nine o'clock in the</b>	ERC Mindanao Field Office, Mintrade Bldg., Monteverde Ave. cor Sales St., 8000 Davao City	Expository Presentation (for Mindanao Stakeholders)

<b>Date and Time</b>	<b>Venue</b>	<b>Hearing Coverage</b>
<b>morning (9:00 A.M.)</b>		

Accordingly, Petitioner is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) for two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Proposed Rule-Making, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 1) Furnish with copies of the Application and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the public hearing, Petitioner must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Proposed Rule-Making consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Proposed Rule-Making was published, and the complete issues of the said newspapers;
- 2) The evidence of receipt of copies of this Order and the attached Notice of Proposed Rule-Making by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;

- 3) The evidence of receipt of copies of the Joint Application and its attachments by all those making requests therefor, if any; and
- 4) Such other proofs of compliance with the requirements of the Commission.

All interested parties are required to submit their comments on the petition on or before **20 July 2018 both in soft and hard copies**. The hard copy shall be filed with the Commission's Docket Section. On the other hand, the soft copy shall be sent via email to [tariffs@erc.gov.ph](mailto:tariffs@erc.gov.ph).

All comments must bear the proper case docket number for the instant case.

Petitioner must also be prepared to make an expository presentation of its Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Petition is all about and the reasons and justifications being cited in support thereof.


The Commission shall cause the posting of the attached Notice of Proposed Rule-making as well as copies of the instant petition and all its annexes at its official website at [www.erc.gov.ph](http://www.erc.gov.ph).

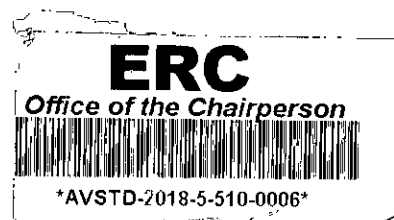
**SO ORDERED.**

Pasig City, 25 April 2018.

FOR AND BY THE AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson & CEO*

  
RTB/GLS/APV



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Copy furnished:

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**All Private Distribution Utilities**

**All Electric Cooperatives**

**ERC ROS-SCMD**